

# Case Studies

---

A publication of USAID's Implementing Policy Change Project

---

Case Study No. 6

September 1996

## MANAGING POLICY REFORM IN AN ECONOMY IN TRANSITION: Integrating Financial Information in Vietnam

By Marcus Ingle

*Dau xuai duoi lot.*

(The results depend on the opening time.)

-- a popular Vietnamese saying

### Introduction

Over the last decade, a number of former socialist and communist countries have embarked upon ambitious reform programs, transitioning from command to open-market economies. These Economies in Transition (EIT's), made up of states in Eastern Europe and the former Soviet Union, the People's Republic of China, and the Socialist Government of Vietnam, among others, are undergoing a profound transformation towards a market-orientation. In these countries, the policy and organizational frameworks of earlier times are no longer operative and thus present prime challenges for both policy and organizational reform.

At the most basic level, policy makers and executives in the EIT's began without an accurate mental construct of how policies are formulated and carried out in market-oriented economies. They were not equipped to understand or include public sector organizations and relationships with non-governmental and private entities in their plans.

While their education and professional experience is advanced, it has not encompassed open market organizing principles and management practices. Even after accelerated exposure to Western training programs and observational visits, there is still a paucity of operational knowledge about how to anticipate the economic and political impacts of new policies and to configure reform efforts. Such knowledge is crucial to gain acceptance from units which are under severe pressure to reduce operating expenses and which are generally suspicious of top down change.

This case study addresses the issue of policy and organizational reform within the context one EIT, that of the Socialist Republic of Vietnam (SGV). The case study describes the "opening time" period associated with the Ministry of Finance's ambitious policy to develop an integrated financial management information system (IFMIS) in cooperation with international and bilateral financing organizations.

This case study is commissioned by the Implementing Policy Change (IPC) project, which helps developing country managers to apply a strategic management framework to the implementation of policy reform. Strategic management is a future-oriented process with an external emphasis that concentrates on assuring a good and continuous fit between an organization (including its policy and objectives, strategies, structures, and resources) and the organization's environment. (Crosby, 1991) The iterative steps in the strategic management process include:

1. Agree upon and initiate a strategic management process.
2. Identify and clarify the policy organization's mission, objectives, and current strategies.
3. Identify the policy organization's internal strengths and weaknesses.
4. Assess the threats and opportunities from the external environment.
5. Identify key constituents/stakeholders and their expectations/interests.
6. Identify key strategic issues confronting the organization in implementing the policy reform.
7. Design/analyze/select strategy alternatives and options to manage the issues identified in step 6.
8. Implement the selected strategy.
9. Monitor and review the strategy's performance.

Some of the tools used to implement this process are: strategic planning and management; stakeholder analysis; environment mapping; workshops; and process consultation.<sup>1</sup>

### **Case Study Objectives**

The intent of this case study is to illustrate the application of IPC's strategic management framework and accompanying toolkit in the context of an EIT country setting. The focus will be on the organizational dimensions of the implementation of policy reform. In particular, the case seeks to: (a) Examine the organizational dimensions of the policy reform process in an EIT setting; (b) Demonstrate how Vietnamese officials performed a series of policy implementation tasks critical to success; and

(c) Draw relevant conclusions about the usefulness of strategic management for policy implementation that might be applied in other EIT policy reform situations.

The case is structured to enhance learning about policy implementation within the actual, and ongoing, IFMIS public sector reform context. Over the past several years, the IPC Project has produced a broad-based body of literature on implementation to assist officials and facilitators in understanding the complex organizational dimensions of implementing policy change. IPC has examined the actual nature of the functions involved in policy implementation, and from this work, the Project has identified five generic policy implementation tasks: 1) Policy legitimization; 2) Constituency building; 3) Resource accumulation; 4) Organizational design and modification; and 5) Resource mobilization (Crosby, Organizational Dimensions Theme Paper, 1995).

The policy implementation tasks identified by IPC are outlined in *Exhibit 1*, together with a brief "task description" and an explanation of "involved task actors." Policy implementation tasks are distinguishable from, but act as facilitative conditions for, the key tasks of program and project implementation. (Brinkerhoff, Improving Program Management Performance, 1991.)

### **Case Study Organization**

This case study uses the IPC project policy implementation tasks presented in *Exhibit 1* as the organizing model for discussion and learning about various facets of the Vietnamese IFMIS policy change process. The case is segmented into five parts; each of the segments focuses on two consecutive policy implementation tasks. Segments open with a scenario on one task and then proceed to set out a problem situation related to the subsequent task. As the parts are developed, the reader gains a dynamic understanding of the challenges and responses encountered as the IFMIS policy implementation journey unfolds.

The reader is encouraged to consider and reflect on each of several problem situations confronted by ministerial officials during the last few years. To encourage reflection, the case then presents scenarios of how various policy implementation tasks were handled. In this way, the reader is facilitated in

moving through the dynamic process of policy implementation.

### **Exhibit 1: Policy Implementation Tasks**

<b>Tasks</b>	<b>Task Description</b>	<b>Involved Task Actors</b>
<b>Policy Legitimation</b>	The process of assuring that a policy is desirable, necessary and accepted, though it presents both benefits and political costs.	Key decision makers led by a policy “champion,” someone with credibility who is willing to risk political capital in support of the policy.
<b>Constituency Building</b>	An amplification of the policy legitimation task whereby acceptance for the policy change is operationalized by identifying and mobilizing key stakeholder groups.	Constituents (those who stand to benefit more than they lose) supportive of the policy change. May include input/service providers, officials from implementing agencies, international players, and other intra- or inter-organizational groups.
<b>Resource Accumulation</b>	The setting aside of adequate human, technical, and financial resources to successfully initiate and sustain reform.	Individuals and units (both governmental and external) which allocate human, technical, and financial resources.
<b>Organizational Design &amp; Modification</b>	Retooling structures and procedures to accomplish new tasks and functions required for policy change.	Stakeholders internal to the policy implementation organization, as well as those in external areas where the policy reform cross-cuts unit and functional boundaries.
<b>Resource Mobilization</b>	Redirecting the behavior, mechanisms and finances of an organization(s) toward the action requirements of policy change through modification of incentive systems and retraining.	Policy implementation officials and other organizational stakeholders in cooperation with consumers and clients of policy change.

The case study is organized for use both in individual and group learning situations. First, policy reform managers and facilitators interested in organizational and management issues can read the case individually, reflect on the issues raised, approaches used, and conclusions reached. Secondly, educators and trainers may find the case useful in group training sessions on organizational and management issues related to policy reform.

## **THE VIETNAM POLICY REFORM SETTING**

### **Geography and Population**

Vietnam is located along the eastern coast of the Indochina peninsula, approximately 650 miles due west of the Philippines. Bordering China, Laos, and Cambodia, Vietnam’s land area is 127,000 square miles (roughly the same size as New Mexico). It is an S-shaped country, with the capital of Hanoi

located on the banks of the Red River in the north. The country’s other major urban center, Ho Chi Minh City, is an expanding commercial center located in the south.

In 1994, Vietnam’s population was estimated at 72.5 million making it the 13th most populous country in the world. The country is still relatively poor, with an estimated per capita GNP of \$220 per annum. Almost 80 % of the people live in rural areas. Ethnic Vietnamese account for 87% of the total population with the remainder composed of 53 ethnic minority groups, generally located in the mountainous areas. Due to more than 1,000 years of Chinese domination, Confucianism is a prominent influence in Vietnamese culture. The Vietnamese people have a strong family and community orientation and are not highly individualistic. Hierarchical structures are pervasive.

### **Vietnam's "Doi Moi" or Renovation Strategy**

Vietnam, with its abundant human and natural resources and a strategic location in the heart of Asia's booming economies, is well positioned and intent on becoming an economic force in the region. During the last several years, a striking feature of Vietnam is the radical reorientation of its policies, institutions, and procedures, away from a central control of resources and toward a market-based allocation of these resources. Since the inception of the "doi moi" or "renovation" strategy in 1986, substantive market-based reforms are underway, including:

- Price liberalization with the devaluation and unification of exchange rates.
- The decollectivization of agriculture and a return to family-based farming.
- The rationalization of the public sector, including state-owned enterprises.
- A significant reduction in subsidies and the state budget deficit.
- A more open door policy with regard to the "outside world."

At the macro level, these reforms have involved sweeping changes in fiscal and monetary policy which have succeeded in dramatically reducing the rate of inflation. Financial resources remain highly constrained, and the budget deficit has not yet been brought under control. As a result, further measures are required to consolidate the stabilization gains. Reforms at the micro level are aimed at decentralizing decision-making and enforcing rigorous budget constraints for state-owned enterprises. Priority is being given to the restructuring of state-owned enterprises (SOEs), and to redefining governance relationships among public, private, and nongovernmental organizations. Poor growth performance before the introduction of market reforms and rapid population growth contribute to persistent poverty and malnutrition.

The normalization of relations between the major international financial institutions [the International Monetary Fund (IMF), the World Bank, and the Asian Development Bank (ADB)] and Vietnam in late 1993 reinforced the "doi moi" reform process. This action provided the country with access to

much-needed external resources. In 1994, the US lifted its trade embargo against Vietnam, and full diplomatic normalization was announced in 1995.

### **Government Structure**

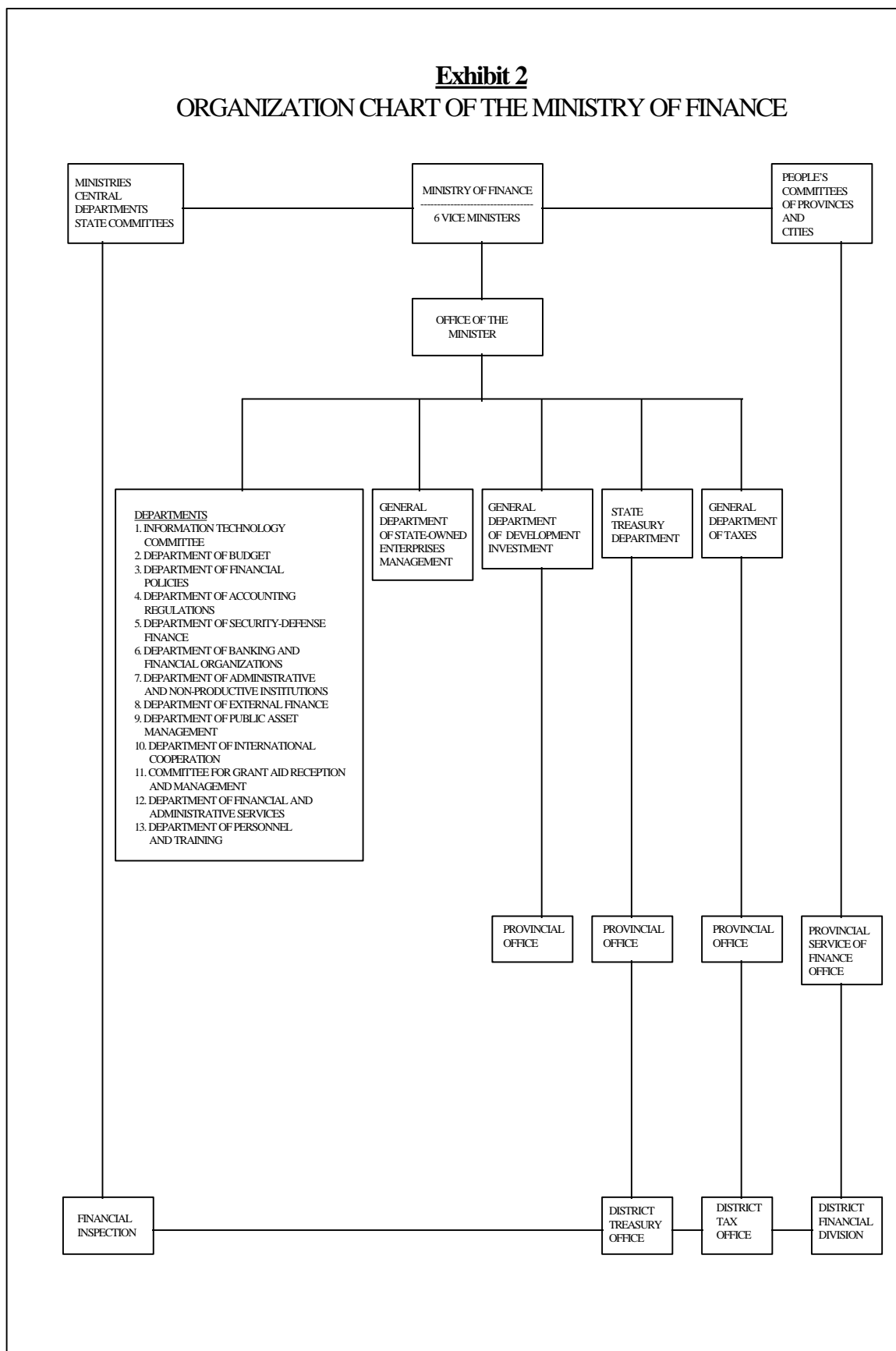
The state, or public sector, of the SGV consists of three branches. A Prime Minister, elected by the National Assembly, heads the Office of Government and proposes members of the Cabinet. The National Assembly also elects the Chief Justice of the Supreme People's Court, Vietnam's Judiciary Branch.

### **Structure of the Ministry of Finance**

The Ministry of Finance (MOF) is the central financial actor in Vietnam's transition process. The MOF shares state financial responsibilities with a State Bank, financial units in the Office of Government and other planning and operating ministries throughout the executive branch. According to the 1994 SGV Decree #178 on the MOF's restructured tasks, rights and organization, the "Ministry of Finance is the governmental agency responsible for uniform management in financial, accounting, and budgetary areas in (the) whole country." Decree # 178 adds several new semi-autonomous Departments and expands the general management units as depicted in *Exhibit 2*.

The MOF organization is complicated by the fact that the semi-autonomous Departments (such as Treasury and Tax) are organized vertically. These entities have working offices at three levels: central, province/city, and district. In addition, each of Vietnam's 55 provinces also has a Service of Finance office. The administrative authority for the Service of Finance offices rests with the provincial People's Committee. Although these offices must comply with Ministry of Finance policy and regulations, the MOF does not run them. The Director of each Provincial Service of Finance office is appointed by the local People's Committee in consultation with the Ministry of Finance.

**Exhibit 2**  
**ORGANIZATION CHART OF THE MINISTRY OF FINANCE**



## CASE PART I:

### FROM THE LEGITIMATION OF THE IFMIS TO CONSTITUENCY BUILDING

#### The IFMIS Legitimacy Scenario

In 1986, as Vietnam began its transition to a market-oriented economy, select MOF leaders began to appreciate the need for more integrated financial information to fulfill their mandate as the governmental agency responsible for uniform management in financial, accounting, and budgetary areas. One Vice Minister, in particular, had a keen interest in the potential of computer technology for financial management applications. This Vice Minister concurrently carried the portfolio for information technology enhancement for the Ministry and represented the Ministry of Finance on the National Committee for Informatics. By the late 1980's, he was aware of the extensive financial information systems investments underway in other Asian countries (particularly, in Japan and the "Tigers" of South Korea, Taiwan, Hong Kong and Singapore) and in Europe (notably France and Germany). This Vice Minister, intent on computerizing financial operations in an organized, integrated way, established a Commission for Informatics in the Ministry.

The innovative Vice Minister also supported the development of a computerization master plan. The computerization master plan, completed in 1989, focused on the areas of tax, treasury and budget. It had three major goals:

1. Rationalization of information throughout the Ministry;
2. Provision of computers and communications channels as required for all systems; and
3. Integration of data and information from the local to the central level. (*IMF, 1992*)

The Commission for Informatics developed the master plan through an out-sourcing arrangement with the Institute of Information Technology (IOIT). The Commission reviewed proposals from six organization, and selected the IOIT based on its previous experience with planning, systems design and programming activities.

In 1989, the Office of Government approved the Ministry's computerization master plan, together

with the Vice Minister's decision to initiate a pilot "Information Applications to Financial Management Project." The focus of the Project was to assist both the MOF and the State Bank of Vietnam to start developing country-wide computerized financial information systems. A special project unit was established within the MOF's information technology center to implement this project (VIE/90/005). The project implementation period was from 1990 to 1993, and was carried out in cooperation with the IOIT and various donor agencies. The donor funds were coordinated through the United Nations Development Program (UNDP) and the IMF.

The Information Applications Project had achieved substantial progress by 1992. In the Ministry, the Departments with the functions of "treasury," "tax" and "budget" received primary attention. During a computerization mission to Vietnam in May of that

Both the Ministry and the Bank are using microcomputers and the FoxPro Database system for their computing work. In addition, both organizations have word processing and analysis tools. The Bank has a Novell local area network in operation although data sharing between systems and staff is not extensive. The Ministry plans to install a Novell local area network for their Budget System as part of the current UNDP project.

Looking to the future, both organizations intend to move to UNIX-based systems utilizing 4 GL software packages such as Informix, Oracle, etc. The mission confirmed with the authorities that this was the appropriate technology direction in which to be moving. The staff of both organizations understand that proprietary operating systems and proprietary applications packages are to be avoided because of high cost, high maintenance, and lack of flexibility. (*IMF, 1992*)

year, an IMF officer from the Bureau of Computing Services reported the following excerpt.

During this period, the computerization activities of the Ministry were complemented by several other events at the national and ministerial level including:

- A SGV Resolution in May 1993 (No 49/C) urged public sector entities to apply the most advanced information technologies to various fields for the improvement of quality and effectiveness of management.
- A recognition that financial transactions with other domestic and international institutions (such as the IMF and World Bank) would be expanding, and that this expansion would require new types and increased amounts of information.
- A belief that advanced information technology systems are an integral component of fiscal reform and to the continuation of Vietnam's transition.
- An expectation that substantial levels of external resources (both grants and loans) would be available during the 1990's and beyond to fund the enhancement of financial information systems.
- A realization that Vietnam's organizational and human capacity to rapidly increase its public sector productivity was extremely limited and could become a constraint to external donor financing.

The MOF's internal experience, along with these external factors contributed to a policy decision by MOF leadership in April 1993. The leaders decided to support the "establishment of a modern and integrated financial management information system for improved decision making and reporting throughout the financial sector." (MOF, 1994) This decision, referred to here as the Integrated Financial Management Information System (IFMIS) policy, was initially stated in positive, technical terms.

Implicit in the IFMIS policy was that all major units of the Ministry, including local government units at the provincial and district levels, would acquire and use advanced technology. As a result, officials across the organization would benefit from the implementation of the policy. There was also a premise that financing for the computerized systems and required training would be forthcoming from external sources so that the system development effort would not be constrained by Vietnam's limited pool of internal resources. Finally, the task was viewed as rather discreet and time bound -- estimates

were that the policy could be implemented in a relatively short time period of 4 to 6 years.

By mid-1993, the IFMIS policy appears to have achieved a high level of legitimacy among several leaders of the Ministry and Commission technical staff. In this case, what factors contributed to the policy legitimacy? Three of these factors are immediately evident:

1. The policy had a credible and stable "champion" (a Vice Minister) who viewed integrated financial information for decision making as both desirable and necessary. The Vice Minister had sufficient authority to establish an internal Commission, with committed and technically qualified staff, to assist in policy implementation.
2. The nature of the policy itself also contributed to its legitimacy. In its initial articulation in 1993, the policy was both general and positive. Since the Ministry was almost totally devoid of computers, or other modern technology systems, staff throughout the Ministry viewed the policy in a favorable light as a means to acquire desirable new technology. The policy was silent (at this time) on the internal changes and constraints that might need to be imposed on Departments in order to assure integration and a more open work environment.
3. Legitimacy was gained by the congruence between the Ministry's policy objectives and that of national level policy. As indicated earlier, the SGV was itself highly supportive of acquiring advanced technology and related skills to assist in the overall renovation process of the country.

### **Problem Situation on Constituency Building**

The Ministry leadership now had a policy with a high level of legitimacy. However, there was still limited awareness and acceptance of the IFMIS policy change throughout the sector. And almost nothing had been done on the identification and mobilization of supportive stakeholder groups. Gradually, a series of constituency building concerns began to be raised among the leadership and members of the Information Technology Unit. These concerns centered around:

- Who would be the key constituents for an integrated financial management information system across the Ministry and within other



linked institutions such as the State Bank and the State Planning Committee?

- What stance would key Departments such as Treasury and Tax take when systems integration standards imposed by the MOF information technology center started to constrain the efforts of these semi-autonomous Department's to purchase hardware and develop software applications?
- How should the MOF proceed with building support for the IFMIS policy? Should it draw on external technical assistance resources, and if so, would it be more appropriate to use the expert mode or a facilitated process consultation approach?<sup>2</sup>
- What tools and techniques are available globally for use in developing constituency groups that could be appropriately adapted for use in the Vietnamese context?

### **Reader Reflection**

If you put yourself in the place of the MOF leadership in the middle of 1993, how would you go about amplifying the legitimacy of your IFMIS policy through building of a broader-based constituency? The approach actually used by the leadership, in cooperation with others, is described in the Part II scenario.

## **CASE PART II:**

### **FROM CONSTITUENCY BUILDING TO RESOURCES ACCUMULATION**

#### **The Constituency Building Scenario**

With the IFMIS policy established, the Vice Minister and leadership of the MOF's Information Technology Center began the implementation task. At the outset, the leaders understood that the Ministry was starting from very low technology and staff skill levels, and that major investments would be needed in both areas. They also appreciated that the task would necessarily involve technology transfer, technical assistance, and training from abroad. Hope abounded that the U.S. embargo would be lifted in 1993, thus allowing the inflow of a large amount of international funding from the IMF, the World Bank, and other agencies. However, as differing positions of the involved Departments

became evident as to implications and costs of the IFMIS policy, there was a growing awareness that new actions would be required, involving many units and staff both within and outside the MOF.

Confronted with these concerns, the MOF leadership was open to suggestions for assistance on how to proceed. In early 1993, the IMF (in its role as coordinator of a Japanese grant fund) presented an opportunity to the IMF that would have direct constituency building implications. This was an offer by the IMF, as a follow-up to the 1992 technical assistance mission, to conduct a computerization management training program for MOF and Bank staff working with the information technology center.

In its 1992 report, the IMF had noted the importance of information management, and not just computer use, training. The report states,

“Certainly there is a need throughout the Ministry for computer awareness and training. Training should start at the very top of the Ministry with computer awareness training for senior manager. This is not training in the use of computers, but rather training in what computers can be used for and in how they can enhance all aspects of work activities.” (Carey, 1992)

Specifically, in this case the IMF suggested a series of computerization management training sessions, one for executive and management officials on the “Management of Computerization” and one for technical staff on “Technical Issues of Computerization”.

With the agreement of the MOF, the IMF assembled a two-person computerization management team from the United States to design and carry out the training in Vietnam. The team leader was known to the IMF for his knowledge about and experience with process approaches to consultation and management training. By coincidence, the team leader was also actively involved in the IPC project.

The training sessions were conducted in July 1993, for a period of one week each. Attendance was continuously high for both sessions (about 40 for the management session and 30 for the technical training). The final training design drew heavily on the IPC strategic management framework and toolkit. The approach suggested by the IMF team

leader and agreed to by leadership of the information technology unit was to use an externally facilitated workshop learning process. The training team would introduce key strategic management concepts, and participants would learn these concepts in small groups by applying them in their current work context. (M. Ingle, IMF Report, 1993)

Another feature of the approach was the arrangement and use of what was called a “continuity team” to meet with the expatriate experts every day to better adapt concepts and tools to the Vietnamese work context. The six members of this team were purposely chosen to represent different units throughout the MOF, the State Bank, and the IOIT. After the training, these individuals would continue to play an important role in staff training and IFMIS planning. The core members of this continuity team have remained involved in the IFMIS until the present time.

A key part of the training focused on demonstrating the importance of the strategic management process. Participants discussed:

- Their vision/objectives for an integrated financial management information system;
- The organizational, technical, and financial resources required to accomplish the vision;
- The implementation strategy for achieving the vision;
- Ways to sustain implementation for long term success; and,
- Ways to begin the entire implementation process.

During the workshop sessions, participants developed vision pictures of the MOF and Bank computerization process. This led to a more in-depth awareness of the tasks and procedures involved in migrating to a more integrated (or open systems) information environment. As a result, the directors and managers from across the MOF, the Bank, and other linked organizations gradually began to understand and develop ownership of the IFMIS policy.

By the end of the training program, an expanded constituency for the IFMIS policy had been developed. This was the result of several factors.

First, the MOF invited and was able to attract representatives from several different departments and units with a stake in the IFMIS policy. Once they were at the training, they became engaged in a process that helped them to identify the benefits associated with IFMIS policy implementation. Specifically, they saw that the policy would contribute to a modernization of their own workplace environments and could result in additional resources flowing them. Both of these benefits are highly valued in Vietnamese bureaucracy.

A second factor influencing an expanded constituency was that some of the concerns participants had about the IFMIS policy were overcome by the participatory approach employed during the training. Participants were encouraged to openly factor their ideas into the analyses and implementation designs and felt empowered in doing so. The training evaluations indicated a high level of satisfaction with both the process and outcomes of the sessions.

Clearly, these short seminars represented only a first step in the constituency building process. But, for many, the seminars represented a unique and enjoyable participatory experience. This was especially true for the MOF “continuity team” who would return to the process consultation approach several more times as IFMIS policy implementation proceeded.

### **Problem Situation on Resources Accumulation**

As awareness of the IFMIS policy expanded throughout the MOF, staff expectations were raised for more modern information technology. These expectations began to manifest themselves in the form of an increasing anticipation of new resources - technical, human and financial. These feelings were amplified in late 1993, as the U.S. trade embargo was lifted, opening the way for direct grant and loan financing from the World Bank and other international institutions.

With a clear vision of a more modern and integrated financial management information system in mind, the leadership began to focus on the issue of accumulating resources required for implementation. Some of the questions raised at this time included:

- What level of resources would actually be required to implement the IFMIS policy? Were earlier estimates that had been prepared prior to

a full understanding of the complexity of integrated systems and the full costs of their components realistic? Were these estimates acceptable in Vietnam's austere, low resource state sector environment?

- Was it realistic to expect that a high level of resources, either external and/or internal, would be approved for an IFMIS in the face of competing resource demands for basic physical infrastructure (MOF office space) and human infrastructure (improved salaries and retraining for state officials)?
- How much time and resources would the MOF need to prepare the necessary documentation and secure the approvals for a large financial investment in the IFMIS components? Was it feasible to expect that the Ministry could mobilize even this level of interim resources?
- How would the MOF go about securing international financing for an IFMIS given the lack of knowledge about and experience with institutions such as the World Bank that operate on the basis of market economy principles and practices?
- Who should be involved in the resource accumulation process? Should the information technology unit work on this alone, or involve others? Should the MOF link up with the expanding international business community in this endeavor, and what benefits and risks were involved in doing so?
- What tools and techniques were readily available for accumulating the desired levels of internal and external resources?

### **Reader Reflection**

If you were the leader of the MOF's information technology unit in late 1993, and the Vice Minister in charge asked your advice on how to proceed with resource accumulation for implementing the IFMIS policy, how would you have responded? The actual steps followed by the Ministry to accumulate resources are presented in the Part III scenario.

## **PART III:**

### **FROM RESOURCE ACCUMULATION TO ORGANIZATION DESIGN**

### **Resource Accumulation Scenario**

As a result of the IMF-sponsored computerization management training sessions in mid-1993, and the final evaluation of the 1990-1993 UNDP pilot Information Applications Project, a more realistic perspective emerged on the scope and resource requirements of the IFMIS policy. Whereas a budget of US \$5 to 10 million was proposed prior to 1993, it became evident that full implementation would run more in the US \$50 to 100 million dollar range. In the low resource setting of Vietnam, this represented a very large expenditure.

The MOF leadership realized that external sources of financing would be required with a strong preference for grant funds. Yet, they also appreciated that computerization was viewed by the SGV as a long term investment in the country's technological infrastructure, and as such would meet the State Planning Committee's (SPC) requirements for loan or credit financing. To explore their external resource accumulation options, they returned to the IMF for additional advice and assistance.

The MOF understood the different roles of the IMF and the World Bank with regard to the provision of IFMIS resources. The IMF has some limited grant funding available (through other donors like the Japanese) for specialized financial technical assistance such as development of an accounting system or improvement of financial statistics and reporting. For large investment activities, including grant and loan assistance for integrated information systems, the World Bank was the more appropriate institutional channel.

At this time the World Bank was only initiating its Vietnam country operations out of its regional office in Bangkok. The MOF saw the IMF as the most plausible mechanism for approaching the World Bank. As a result, when the IMF offered expert assistance to the MOF in the form of developing a more comprehensive strategic plan to implement the IFMIS, the MOF sent a positive response. In actual fact, this IMF offer represented a revised and negotiated set of "suggested next steps" flowing from the IMF-supported 1993 computerization training sessions. There had been a continuous series of communications between the IMF, the MOF and the training expert (both through faxes and in person during other trips to Vietnam), and these discussions coalesced in a scope of work for follow-on assistance in the area of strategic planning and management.

The result was an agreement for another IMF mission, comprised of the team leader from the July 1993 consultancy along with an information systems expert and the IMF task manager.

The objective of the June 1994 mission was to assist the MOF in developing a strategy for the implementation of an integrated financial management information environment for the organization.” The IMF recognized the growing momentum within the Vietnamese financial sector to make significant changes in financial operations and to formulate a range of financial policy decisions. These important roles required the implementation and effective use of financial management information systems. Since the MOF had already made excellent progress on the documentation of existing computerized systems and on the articulation of a “technology plan” for the Ministry, this IMF mission was asked to review that technology plan and assist with expanding it into a comprehensive strategic information plan for IFMIS

The two-week mission consisted of:

1. A formal three-day action-learning workshop on analysis and strategic planning, including technical analysis of current integration and stakeholder analysis;
2. Individual meetings and interviews with officials of MOF, as well as discussions with related ministries and international organizations; and
3. Intensive workshops and working sessions with a MOF strategic planning team (including core members of the 1993 “continuity team”).

The primary products of the mission were: 1) The training of MOF officials and staff in the skills and processes required for strategic planning; 2) The development of a topical outline and key elements for the Ministry's IFMIS strategic information plan; and 3) The development of a schedule and assignment of roles and responsibilities for the completion of the plan.

Systems personnel from the primary MOF departments, as well as the Institute of Information Technology (IOIT), were brought together to form the strategic planning team tasked with developing the strategic information plan for the Ministry during the latter part of 1994. The team received training in: planning techniques and tools; systems

analysis and strategy development methodologies; and information flow assessment. Most of these tools are integral parts of the IPC toolkit.

The strategic plan was structured to enhance the integrated financial management operations of the MOF in line with best practice international standards. The intent of this strategy was to ensure that MOF and related decision-makers have useful, accurate and timely information to support the generation, allocation, investment, and management of Viet Nam's limited financial resources. This strategy has three major components:

**1. Technology Enhancement** -- Proposing comprehensive and advanced information system solutions comprising hardware, software applications, and communications. This would be achieved by taking a sub-systems (budget, treasury, tax, etc.) integration perspective focusing on the needs of MOF decision-makers as well as on the operational needs of departments. The strategy team produced a series of information flow diagrams that convey the set of processes and data flow within the IFMIS.

**2. Information System Policy Reform** -- Identifying and recommending changes in information system policies and procedures to support the Strategic Plan 's objectives. This would be achieved by focusing on the leadership commitment and conducive policy context necessary for an IFMIS to be operational and effective over the long term. This includes executive level study tours to industrialized countries and active policy studies in Viet Nam. It would embrace organizational policy issues and structures which can facilitate the use of an integrated information system, including review and adaptations of appropriate international standards.

**3. Organizational and Human Resource Development** -- Strengthening the performance and capacity of the MOF organizations to effectively mobilize and manage resources for the implementation of the Strategic Plan. This would be achieved through organizational strengthening of the central information systems units within the MOF at both the headquarters and provincial levels and would ensure the demand for accurate, timely, and consistent information for analysis. It would also involve the creation of an IFMIS Executive Steering Committee to provide senior level review and coordination of integration issues. Finally, it would

involve the creation of appropriate job ladders for information systems specialists to ensure the development and retention of high quality information specialists in the public sector.

The entire plan was summarized using a strategic objective tree, a logical framework, and a master implementation schedule.

The strategic planning and management process followed during the mission was documented in an integrated "Financial Information Systems Guidelines" report which was provided to the MOF for reference and use in the future. (Ingle, et. al., 1994)

From the outset of planning for the IMF mission, the consultants were conscious that the MOF was interested in securing external resources for its IFMIS implementation effort. As the consultants were involved in project preparation and analysis training for the World Bank (and consultancy assignments for the Asian Development Bank), a special effort was made to introduce concepts and tools that would be considered as legitimate to the World Bank (and others). The MOF leadership and IMF team members also contacted World Bank officials in Washington DC and Bangkok, Thailand and Vietnam to brief them on progress. An early outline of the Strategic Plan was shared with a key World Bank official during the June mission to Hanoi, and final copies were submitted to the World Bank for their review and comment in late 1994. Additional inquiries about the possibility of World Bank funding for IFMIS implementation were made at the State Planning Committee in Vietnam.

Throughout the latter months of 1994, the strategic planning team vetted the IFMIS implementation plan with key stakeholders throughout the Ministry and obtained their approvals. Following that, the final plan was submitted to the Prime Minister's office with a request that it be placed on the list of priority funding opportunities for World Bank consideration. This decision was obtained in early 1995, and World Bank assistance was tentatively targeted for early 1997. Concurrently, the IMF assisted the MOF with its strategic plan by editing versions of the document and informing World Bank officials of its progress. They also arranged for several MOF information technology leaders to visit with interested IMF and World Bank officers during an Oracle-sponsored study tour to the U.S. in late 1994. As a result, the World Bank made a tentative

commitment to consider funding a major IFMIS project credit in the future.

As a result, by early 1995, the MOF had the initial approvals it needed to obtain the desired external IFMIS resources. The MOF officials were satisfied that adequate financial resources had been accumulated for the IFMIS policy reform to be successfully initiated and sustained. This accomplishment resulted from a number of MOF and other stakeholder actions.

One of the most important of these actions was the decision by the IMF to encourage the MOF team to follow a strategic planning process that would have legitimacy and integrity to World Bank officials. This was done by introducing international standard frameworks and tools, including those in the IPC toolkit, familiar to World Bank staff. Another factor was that responsibility and ownership for the strategic planning process was, from the outset, given to the strategic planning team comprised of competent, interested representatives of the IFMIS stakeholders within the MOF and beyond. This team was empowered, with the facilitation assistance from abroad, to finalize a highly professional strategic planning document, and to gain the approval of powerful officials throughout the MOF. This consensus within the MOF aided in the quick decision by the SGV. Finally, the IMF played a major role in communicating the ideas of the MOF to key decision-makers in the World Bank, and encouraging their expanding involvement.

### **Problem Situation on Organization Design and Modification**

With the expectation of future resources in hand, the MOF turned its attention to the organizational aspects of policy implementation. As the months passed, and the full scope of the IFMIS strategy emerged, the Information Technology Unit began to appreciate that they were dealing with more than a pure "technology enhancement" activity. In addition to advanced computer technology (client-server hardware, various software applications, and telecommunications), the integrated information system would also require a common compliance across organizational departments to rapidly changing standards, all within an overall systems architecture. This scenario contained substantial technology benefits for the Information Technology Unit and MOF's semi-autonomous units. At the same time, the strategy implied a series of potential

risks that would be involved during implementation , such as:

- How would the integrated system be coordinated? Where would the locus of authority lie? Who would develop the standards, and would they be imposed like under the command economy?
- What would compliance entail, and who would decide? Who would be the enforcer? Were arbitration forums and arenas available for handling the inevitable cross-organizational conflicts and disputes related to resource allocations and sequencing of improvements?

The original 1993 policy decision was taken with limited visible awareness of the probable organizational and management perils associated with policy implementation. (Cats-Baril & Thompson, 1995). For example, the leadership did not openly question whether the Ministry's existing stovepipe organizational structure and command economy skills would be sufficient for implementation success. Nor did they appear sensitive to the inherent difficulties involved in securing the intra- and inter-organizational compliance to new rules and standards that would most certainly be required by an integrated information systems policy. However, by early 1995, with the issue of the internal structure and staffing of the new Information Technology Management and Applications Committee (ITC) at hand, organizational issues became paramount.

### **Reader Reflection**

If you were responsible for recommending an enhanced MOF structure for IFMIS implementation, what kind of design would you suggest? Would it be based on merit or political and bureaucratic considerations, or some combination of the two? Would you consider a role in this structure for local state and non-governmental organizations, for the international business community, or for other constituents?

What new forms of organization and skill mixes would you suggest to concurrently prepare documents necessary for donor financing to implement the strategy while providing assistance to operational departments with their ongoing technology enhancement efforts?

How might you go about assisting members of the new ITC to take responsibility for designing and negotiating their own preferred structure given the experiences with implementing policy reform from other countries?

The actual steps which the MOF took during 1995 to address these complex organizational issues are presented in the Part IV scenario.

## **CASE PART IV:**

### **FROM ORGANIZATION DESIGN TO RESOURCE MOBILIZATION**

#### **Organizational Design Scenario**

The decision to proceed with IFMIS implementation, and the expectation for a large infusion of external resources, brought with it some very difficult organizational issues. As before, the new ITC unit in the Ministry looked to the IMF for assistance. The IMF agreed to send another technical assistance mission to Vietnam in early 1995 to work with the ITC and others on these organizational issues.

The MOF strategic planning team and IMF had determined during the 1994 mission that the organizational issues associated with IFMIS implementation could best be handled through a program management framework. The program management concept appealed to MOF officials due to its emphasis on host country ownership, a concern with the external context including stakeholders and constituents, and a cross-organizational focus. (Brinkerhoff, 1991).

By now the ITC was beginning to view their IFMIS policy implementation effort in programmatic terms. In effect, the ITC would become the IFMIS program coordinator for the MOF. An important part of that role would involve fitting the various internal and externally funded projects (including the proposed 1997 World Bank project credit) into the program framework.

The proposed objectives of the February 1995 mission were to:

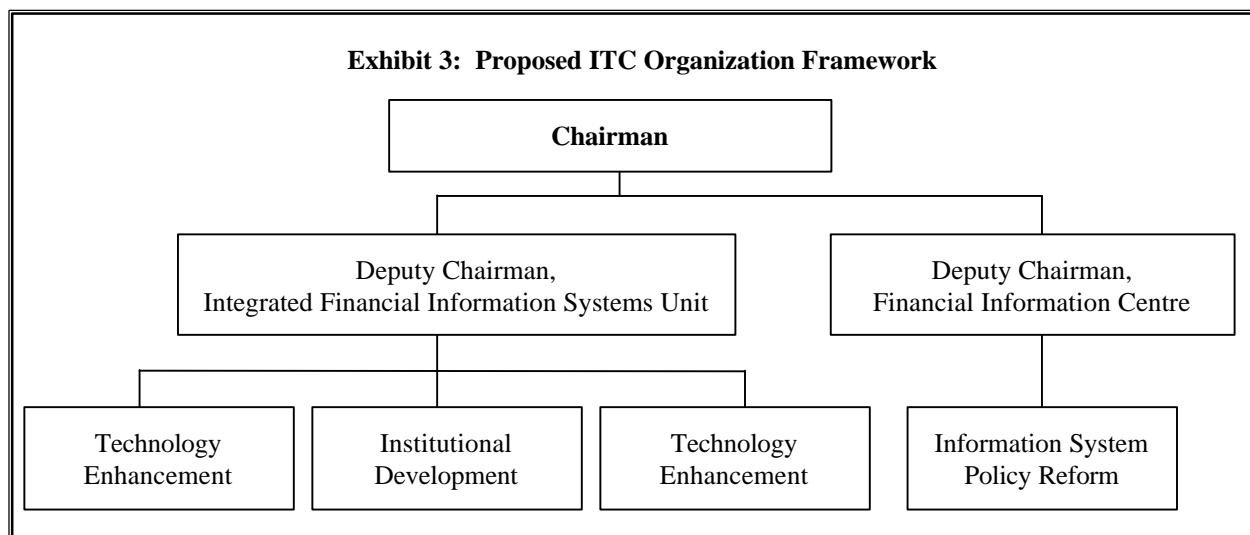
1. Improve the understanding of program and project management concepts and skills within MOF and the State Bank of Vietnam (SBV) staff;

2. Increase the knowledge of, and practical experience with, operations, program, and project management software tools (primarily Microsoft Project); and
3. Enhance the capacity of MOF and SBV staff to apply program and project management skills to the implementation of integrated financial information systems for Viet Nam.

The ITC accepted this design but modified it in two important respects. First, they added a number of stakeholders to the workshop. This was done partially because of their understanding that legitimacy for the IFMIS would be further expanded

General Department of Taxes, the Government Treasury and the Financial Inspection unit) were established by this Decree--the General Department of Managing Governmental Capital and Assets of Enterprises and the General Department of Development Investment. (Refer to *Exhibit 2*)

The ITC Chairman also provided the Mission team with a draft of a decree on the proposed structure and functions of the ITC. He asked for comments within the context of implementing the IFMIS program and included relationships with the MOF's semi-autonomous organizations. The proposed decree would establish the ITC as a legal unit within the



through the proposed workshop action-training process. Second, the ITC added another agenda item to the consultancy. They requested that the IMF expert team consult with the members of the ITC (several who were core members of the 1993 continuity team) on the internal organization of the ITC and its ability to carry out its IFMIS program management mandate.

The three person, two-week mission consisted of: 1) A formal action-learning workshop; 2) Intensive discussion and organizational planning sessions with the ITC; and 3) individual meetings and interviews with SGV officials and others as appropriate.

In the ITC organizational planning meetings, the IMF experts were provided with copies of Decree # 178, 1994 which had reorganized the MOF and established the ITC as the formal information technology unit of the MOF. Two additional semi-autonomous organizations (in addition to the

MOF. The Committee's functions would include both integration of information systems and management of a financial database for the Ministry.

The proposed decree for the ITC included an organizational framework with a Chairman, several deputies and units, as follows: System Management Division; Data Base Centre; Applications Development and Management Division; Procurement Division; Training Division; and Administration Division.

The Fund experts reviewed the proposed decree and held several meetings with the ITC Chairman and key staff to consider issues and options. Among the outcomes and observations resulting from of these discussions, it was determined that the departmental information technology units do not always consult with the ITC as they move ahead with their information systems plans, including hardware and

software procurement. This lack of coordination is likely to lead to inefficiencies.

The mission team responded that the development of a fully integrated financial information system needs to be a primary consideration. Accomplishing this objective requires a single point of coordination to develop systems policies and standards, and to assure compliance. The locus of authority for this compliance should be the ITC. Although a number of system implementation and operational functions are best performed in a decentralized manner, the MOF needs just one unit with overall management authority and responsibility. The team explained that selecting appropriate management mechanisms for integrating systems development and assuring compliance is a complex task, and that it deserves additional consideration beyond the current mission.

In addition, the study found that the MOF leadership would like the ITC to perform two basic functions: (1) The development and support of integrated financial information systems for the MOF, including completion and implementation of the draft Financial Information Systems (IFMIS) Strategic Plan, and (2) The management of an integrated financial database.

Given these needs, the mission team suggested an organizational structure with two subunits, each with a Deputy Chairman. The first would be the Integrated Financial Information Systems unit, and the second the Financial Information Centre (See *Exhibit 3*).

The mission team also recommended that the Integrated Financial Information Systems Unit be structured around three program based divisions as described in the IFMIS Strategic Plan. Based on the program management framework introduced during the mission workshop, these were: Technology Enhancement, Institutional Development, and an Information System Policy Reform.

This strategy would involve: (1) Consolidating the two proposed technology enhancement divisions into a single "Systems Development" Division; (2) Expanding the Training Division into an "Institutional Development" Division; and (3) Ensuring that the "System Policy Division" includes both formulation of information technology policy and regulations and the coordination of financial management policy as it relates to financial information systems.

Each Division Chief should concurrently serve as a Program Leader for his/her respective Strategic Plan program implementation areas. Program team members would be drawn from ITC, and from the key MOF functional and external units involved in IFMIS program area implementation. Systems users from central and provincial levels would also be represented on program teams. The ITC should give priority attention to the technical and management competence of its staff.

Following the February mission, these ideas were shared with IMF and World Bank officers. They were also presented for review and suggestions to about 50 organizational and management professionals at the annual Development Management Network (DMN) meeting in Texas in the summer of 1995 as part of the American Society for Public Administration Conference.

### **Problem Situation on Resource Mobilization**

The MOF leadership now recognizes, better than in 1993, that the action requirements of IFMIS policy implementation call for redirecting both behavior and finances. This redirection, or mobilization, phase of implementation is only now beginning to take form. The World Bank made a more formal commitment to provide IFMIS financing in the summer of 1995, and an initial preparation mission traveled to Vietnam in September.

The task of this team is to begin preparing more detailed IFMIS program documents related to appraisal and approval in anticipation of a \$50 million plus credit in 1997. In the meantime, the MOF continues to work with the IMF and the World Bank to further strengthen its organizational capacity and policy frameworks in anticipation of a major technology enhancement effort.

The Vietnamese still need to learn much about open market financing agency regulations and practices before a credit agreement and additional capacity building grants can be arranged. Some of the most perplexing issues concern dealing with multiple donors with differing design approaches, procurement standards, and monitoring/reporting requirements. They are also struggling with how to secure cross-organizational compliance with new information systems standards in a context of both limited authority, and practically non-existent financial incentives.



## CASE PART V:

### LESSONS FOR ORGANIZING AND MANAGING POLICY REFORM IN ECONOMIES IN TRANSITION

The formal decision made by the SGV Prime Minister's office in early 1995 to pursue an integrated financial management information system in the Ministry of Finance was almost five years in the making, as was the trend towards increasing interest on the part of the World Bank to provide external financing. It involved a serious MOF policy champion, a successful pilot project, a series of process consultations, many workshops, teams of Vietnamese officials, and numerous other actions and players. The results and benefits of these policy implementation efforts are impressive:

1. There is a strongly felt need to upgrade and integrate information technology in the SGV. This involves rationalizing institutional structures and human resource capacity to support modern information systems and to reform policies needed for productive and sustainable systems operations;
2. As a complement to this, there is an explicit commitment (in terms of both rhetoric and resources) on the part of senior leadership to enhance government financial information systems to improve public sector financial decision making and operations at the central, regional, and local levels;
3. There is a broad-based recognition that the information systems enhancement effort represents a challenging and uncertain task which requires a dedicated team of professionals with different competencies and an action-learning orientation to ensure long term success; and
4. A strong appreciation exists among the Vietnamese for facilitated technical assistance based on the action-training approach which focuses on financial information system problems of immediate concern and involves the adaptation of international standards and technologies to the operational realities of the Vietnamese political and economic context.

Yet, the IFMIS policy implementation process is still only in its early stages. In fact, experience from

Latin America and other countries that are pursuing similar IFMIS objectives to the Vietnamese find that implementation continues to evolve over time as needs and technology change. (Asselin, 1995)

The experience with this case offers the opportunity to gain several insights into the applicability of the IPC strategic management approach in an EIT setting like Vietnam. These insights are organized below around three questions. First, how useful is the "policy change implementation task" model (focusing on policy legitimization, constituency building, resource accumulation, organization design, and resource mobilization) for understanding and discussing the dynamics of policy reform organizational and management issues in a particular case? Second, which IPC processes and tools should policy implementation organizations acquire in carrying out complex, multi-organizational reform? Finally, how does the EIT context influence application of strategic management of policy implementation tools? Each of these questions is addressed below.

#### 1. Usefulness of the policy implementation task model

The policy implementation task model assisted in understanding the challenges and nuances of surrounding each of the five key functions. Applying the task model demonstrated again that policy implementation is multifaceted and complex in nature. In several cases, such as with legitimacy and constituency building and again with organization design and resource mobilization, the boundaries of the functions often overlap or are highly dependent on each other. One potential drawback of the model is that it may be seen as a linear set of steps for implementation. Nothing could be further from the way policy implementation proceeds. In fact each of these task are evolving and iterative in nature. A policy may be legitimized at one point in time only to find that a key stakeholder has departed or changed their position due to a clearer understanding of the political risks associated with the reform, or some negative change in the external environment. If this happens, then the policy champion will seek legitimacy from some other source.

#### 2. Appropriateness of IPC processes and tools

The IPC strategic management framework and toolkit worked very well in the IFMIS case. The

facilitated process approach aided with cross-organizational communications, and provided heretofore non-existent fora for people from different parts of the Ministry (and outside) to meet and dialogue on issues of mutual interest. The process was appreciated by the ITC leadership and staff in large part due to its effectiveness in promoting ownership of the policy by key stakeholder groups. As for tools, the Vietnamese readily adapted the strategic planning, stakeholder analysis and logical framework approach to work settings. The Vietnamese like to think big, but also to stay focused. The strategic management approach provides a structured way for doing this.

The appreciation for the stakeholder analysis tool appears to be associated with the ease at which this approach allows one to deal with basic incentive and burden issues.

Stakeholder analysis provides those charged with implementation responsibility with a ready tool for determining where potential sources of support and opposition for a reform lie.

### 3. Application of IPC strategic management tools in an EIT context

There are some unique features of the EIT context which influence the application of IPC strategic management tools. Due to the advanced and widespread level of education in EIT countries, it appears that officials are able to learn and adapt the concepts to their work environment extremely quickly. We found that it is only necessary to introduce and demonstrate the use of a key concept once; after that it is understood.

As EIT's transition to more open economies, they tend to keep a tighter control on the political dimension of their development. In these cases, the explicitly political nature of some IPC tools (e.g., political mapping, etc.) needs to be played down until credibility with the strategic management process is assured. Experience suggests that the sensitivity is less with the nature of the tools and

more with who has ownership for their application. For example it was observed that some level of political advocacy was acceptable from within the government structure. However, political advocacy by an external consultant was highly discouraged. For foreign process consultants, the safer arenas are technical, organizational, and managerial.

Finally, the EIT's appear to have almost no prior experience with action-training workshops where the external facilitator serves as a catalyst committed to participatory local dialogue and ownership of the policy change process but are supportive of its application in their context. One explanation of this is that the EIT's desperately desire advanced technology and management practices, but they are both very proud and highly skeptical about the potential negative impacts of what is being transferred. Thus, they appear very receptive to a developmental approach which provides them both with the most modern external technical or managerial knowledge, and at the same time empowers them with the capability to assess the appropriateness of that knowledge to their own situation (before the negative effects take effect). In Vietnam, one is constantly reminded that there is a "Vietnamese way", and that any technology will be adapted to that way in the process of being transferred.

In conclusion, the case study has documented that strategic management of policy reform in an EIT setting, like others, is multifaceted and high complex. The approaches and techniques of strategic management, as set forth in IPC notes and other studies, seem to work well in the EIT context. Part of the appeal is that transitional country policy reformers and managers are searching for practical ways to cope with the challenges of the mixed economy. In fact, this case demonstrates, as concluded by Art Goldsmith, that with some minor modifications, the tool box of strategic methods can "get managers to think and act more strategically, to prevent their organizations from wandering aimlessly." (1995)

## REFERENCES

- Asselin, L.M., 1995. "Experiences in Improving Financial Management in Latin America, 1994-95." Paper delivered at the IX Conference on New Developments in Government Financial Management.
- Brinkerhoff, D.W., 1991. *Improving Development Program Performance*. Boulder, CO: Lynne Rienner.

- \_\_\_\_\_, 1994. *Using Workshops for Strategic Management of Policy Reform*. USAID IPC Project Technical Note No. 6. Washington, DC: Management Systems International.
- Carey, R.C., 1992. "Computerization Technical Assistance." IMF Report. Washington, DC: International Monetary Fund.
- Cats-Baril, W. and R. Thompson, 1995. "Managing Information Technology Project in  
*Public Administration Review*. 55/No. 6:559-566.
- Crosby, B.L., 1995. "Organizational Dimensions of Enhancing Capacity For Strategically Managing Policy Reform." Paper delivered at ASPA 56th National Conference, July 22-26, 1995.
- \_\_\_\_\_, (draft). "Organizational Dimensions to the Implementation of Policy Change". USAID IPC Project Draft Theme Paper. Washington, DC: Management Systems International.
- \_\_\_\_\_, 1992. *Stakeholder Analysis: A Vital Tool for Strategic Managers*. USAID IPC Project Technical Note No. 2. Washington, DC: Management Systems International.
- \_\_\_\_\_, 1991. *Strategic Management and Strategic Planning: What They Are and How they Are Different*. USAID IPC Project Technical Note No. 1. Washington, DC: Management Systems International.
- Goldsmith, A.A., 1995. *Making Managers More Effective: Applications of Strategic Management*. USAID IPC Project Working Paper No. 9. Washington, DC: Management Systems International.
- Hage, J. and K. Finsterbush, 1987. *Organizational Change*. Boulder, CO: Lynne Rienner.
- Hashim, A. and B. Allan, 1994. *Core Functional Requirements for Fiscal Management Systems*. Working Paper of the International Monetary Fund. Washington, DC: IMF Financial Affairs Dept.
- Holcombe, S.H., 1995. *Managing to Empower*. London & New Jersey: Zed Books.
- Ingle, M.D., S. Furst, and D. Qazi, 1995. "Improving Program and Project Management for Implementation of Integrated Financial Information Systems". Final Report of Consultancy to Vietnam Ministry of Finance. Washington, D.C.: International Monetary Fund.
- Ingle, M.D., S. Furst, and M. Parish, 1994. *Financial Information System Guidelines: Integrated Financial Management Information Systems*. Alexandria, VA: Thunder & Associates, Inc.
- Kerrigan, J.E. and J. Luke, 1987. *Management Training Strategies for Developing Countries*. Boulder, CO: Lynne Rienner.
- Kramer, K. V. Gubaxani, and J.L. King, 1992. "Economic Development, Government Policy, and the Diffusion  
*Public Administration Review* 52/No.2: 146-156.
- Socialist Republic of Vietnam: Ministry of Finance, 1994. *Financial Information System Strategic Plan*. Hanoi, Vietnam.
- \_\_\_\_\_, 1994. *Decree of the Government on Tasks, Rights and Organization of the Ministry of Finance, October, 1994*. Hanoi, Vietnam..
- Rondinelli, D.A., 1994. "Capacity-Building in Emerging Market Economies: The Second Wave of Reform," *Business & the Contemporary World* 3: 153-167.
- Schiavo-Campo, S. (ed.), 1994. *Institutional Change and the Public Sector in Transitional Economies*. Washington, DC: World Bank Discussion Papers.

## ENDNOTES

<sup>1</sup> Resource materials on policy implementation tools available from the Implementing Policy Change (IPC) Project reflect the technical assistance, research and dissemination components of global activities to date. These materials include Technical Notes, Research Notes, Working Papers and Dissemination Materials. The Dissemination Materials, of which this publication is a part, are made up of IPC-related cases and modules that technical cooperation teams and host-country managers can use in disseminating IPC approaches and practices.

<sup>2</sup> In the “expert mode” of consultation the prime concern is diagnosis of a problem and recommendations for improvement. In the “process mode”, on the other hand, the focus is on building sustained recipient capability for performance of specified functions whether for decision making or operation of new systems. The “action-training” approach combines the two in the following manner. The expert serves as a facilitator of recipient learning related to the diagnosis and resolution of an work related problem. In action-training there are two interrelated outcomes: the recipient has gained capacity for problem solving by learning how to solve an actual problem in the work situation, and a process has been initiated for solving a real problem. In action-training, the role of the consultant is also somewhat different from either the expert or process approach. In the expert mode, the consultant has primary responsibility for defining the problem and recommending action. The recipient may, or may not, act on this advice. In the process mode, the government takes responsibility for defining needed actions. But in action-training, these responsibilities are divided. The recipient is responsible for learning and for recommending action while the consultant is responsible for facilitating an effective learning process. (Kerrigan and Luke), 1987)

IPC *Working papers* is a publication of the U.S. Agency for International Development (USAID) Implementing Policy Change Project (#936-5470, Contract #AEP-5470-I-00-5034-00), which is managed by the Agency’s Global Bureau, Center for Democracy and Governance. The Center for Democracy and Governance is USAID’s focal point for democracy and governance programming. The Center’s role is to provide USAID and other development practitioners with the technical and intellectual expertise needed to support democratic development. It provides this expertise in the following areas:

- Rule of Law
- Elections and Political Processes
- Civil Society
- Governance

The Center publishes a number of technical documents designed to indicate best practices, lessons learned, and guidelines for practitioner consideration. They are also intended to stimulate debate and discussion. For further information regarding these Center-specific publications, please contact the Center’s Information Unit at (202) 661-5847.

The IPC project’s contract team consists of Management Systems International (prime contractor); Abt Associates Inc.; and Development Alternatives. The IPC Project Office is located at MSI, 600 Water Street, S.W., Washington, D.C., 20024. Telephone: (202) 484-7170; Fax: (202) 488-0754.